Essentials of

Services Marketing

3rd Edition

3 Positioning Services IN COMPETITIVE MARKETS

WIRTZ LOVELOCK

Learning Objectives

3.1 Understand how customer, competitor, and company analyses (i.e., the 3 Cs) help to develop a customer-driven services marketing strategy.

3.2 Know the key elements of a positioning strategy (i.e., STP) and explain why they are so crucial for service firms.

3.3 Segment customers on the basis of needs before using other common bases to further identify and profile the segments.

3.4 Distinguish between important and determinant attributes for segmentation.

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Learning Objectives

3.5 Use different service levels for segmentation.

3.6 Target service customers using the four focus strategies for competitive advantage.

3.7 Position a service to distinguish it from its competitors.

3.8 Understand how to use positioning maps to analyze and develop competitive strategy.

3.9 Develop an effective positioning strategy.

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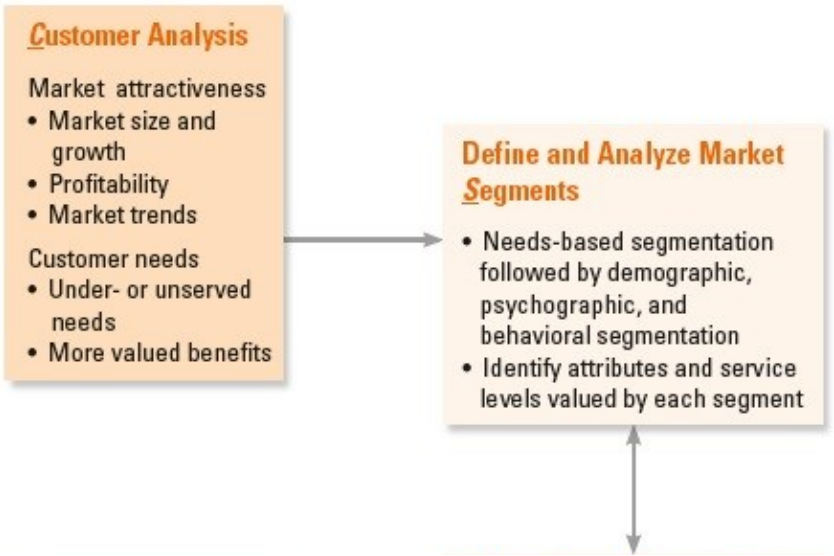
Positioning Services in Competitive Markets

3.1 Understand how customer, competitor, and company analyses (the 3 Cs) help to develop a customer-driven services marketing strategy.

Customer, competitor, and company analyses

- Developing a services marketing positioning strategy


Customer Analysis
Market attractiveness
• Market size and growth
• Profitability
• Market trends
Customer needs
• Under- or unserved needs
• More valued benefits
Define and Analyze Market Segments
• Needs-based segmentation followed by demographic, psychographic, and behavioral segmentation
• Identify attributes and service levels valued by each segment

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Customer, competitor, and company analyses

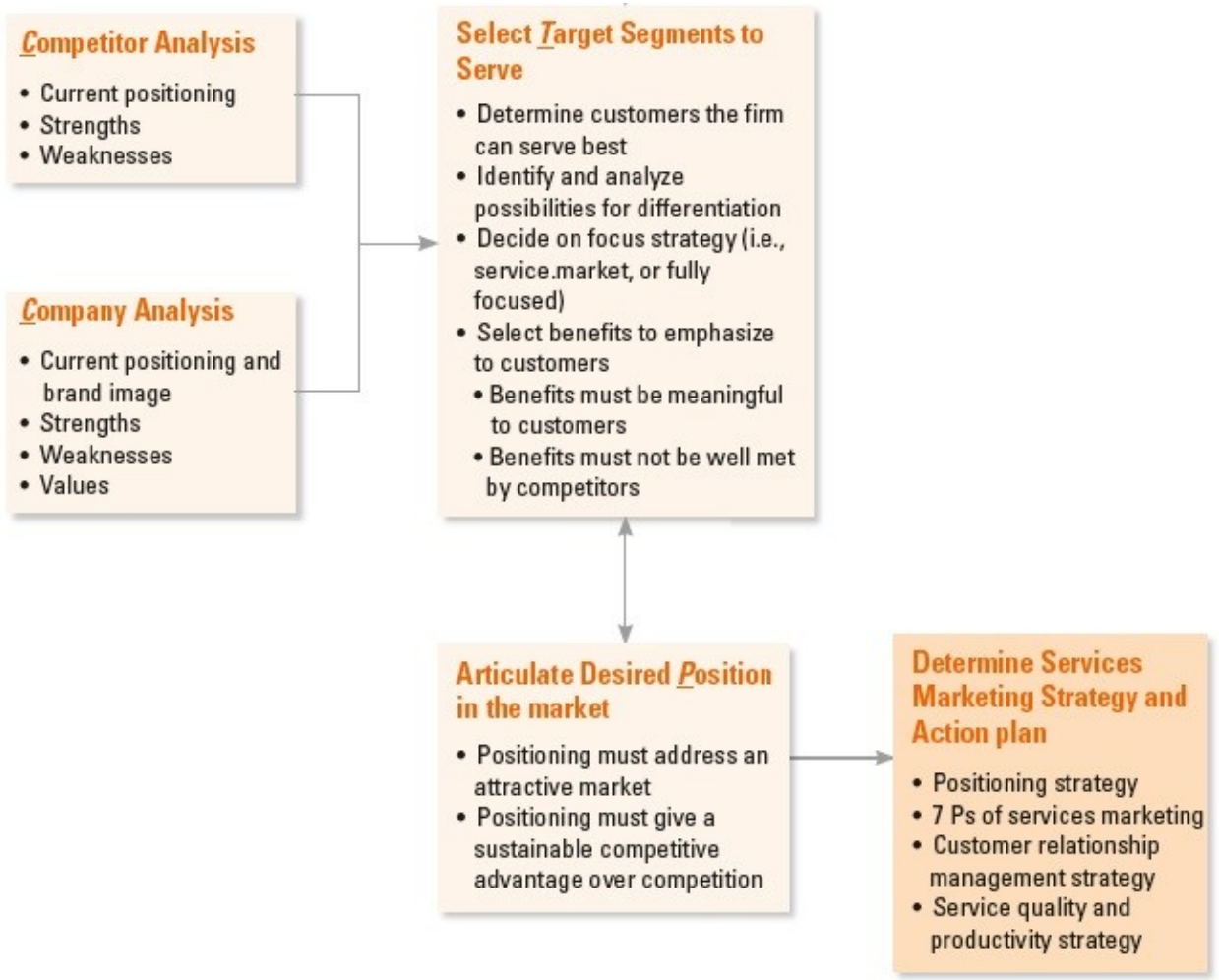
Competitor Analysis
• Current positioning
• Strengths
• Weaknesses
Company Analysis
• Current positioning and brand image
• Strengths
• Weaknesses
• Values
Select Target Segments to Serve
• Determine customers the firm can serve best
• Identify and analyze possibilities for differentiation
• Decide on focus strategy (i.e., service.market, or fully focused)
• Select benefits to emphasize to customers
• Benefits must be meaningful to customers
• Benefits must not be well met by competitors
Articulate Desired Position in the market
• Positioning must address an attractive market
• Positioning must give a sustainable competitive advantage over competition
Determine Services Marketing Strategy and Action plan
• Positioning strategy
• 7 Ps of services marketing
• Customer relationship management strategy
• Service quality and productivity strategy

Figure 3.1 Developing a services marketing positioning strategy.

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Customer, Competitor and Company Analysis

- Customer analysis:
  - Overall examination of market characteristics
  - Customer needs and related characteristics and behaviors
- Competitor analysis:
  - Current positioning
  - Strengths and weaknesse
- Company analysis:
  - Current brand positioning image
  - Resources
  - Limitations and constraints

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Positioning Services in Competitive Markets

3.2

Know the key elements of a positioning strategy (i.e., STP) and explain why they are so crucial for service firms.

Segmentation, Targeting, and Positioning

- Segmentation:
  - Dividing population of possible customers into groups with common service-related characteristics
  - Similar needs within same segment, different needs between segments
- Targeting:
  - Choose one/more segments to focus on
- Positioning:
  - Unique place in the minds of customers
  - Differentiation forms first step to creating unique positioning

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Positioning Services in Competitive Markets

3.3

Segment customers on the basis of needs before using other common bases to further identify and profile the segments.

Segmenting Service Markets

- Firms vary widely in ability to serve different types of customers
  - Adopt strategy of market segmentation, identifying those parts of market can serve best
  - A market segment is composed of a group of buyers sharing common:
    - Characteristics
    - Needs
    - Purchasing behavior
    - Consumption patterns

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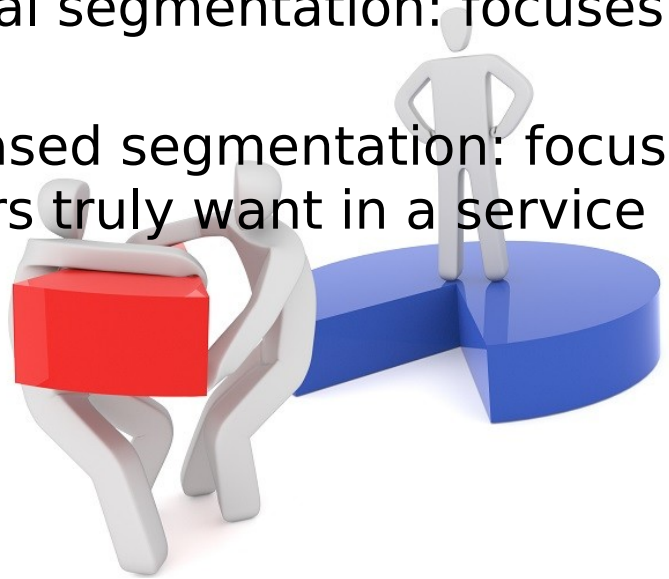
Segmenting Service Markets

- Various ways to segment markets:
  - Demographics: on its own will not result in meaningful segments
  - Psychographic segmentation: useful for strengthening brand identity and creating emotional connection
  - Behavioral segmentation: focuses on observable behavior
  - Needs-based segmentation: focuses on what customers truly want in a service



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Segmenting Service Markets

Developing the Right Service Concept for a Specific Segment

- Use research to identify and prioritize which attributes of a given service are important to specific market segments
- Individuals may set diffe
  to:
  - Purpose of using the serv
  - Who makes decision
  - Timing of use
  - Whether service is used a
    or with a group
  - Composition of that group

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Positioning Services in Competitive Markets

3.4

Distinguish between important and determinant attributes for segmentation.

Important versus Determinant Service Attributes

- Consumers usually choose between alternative service offerings based on perceived differences between them
- Attributes that distinguish competing services from one another are not necessarily the most important ones
- Determinant attributes determine buyers' choices between competing alternatives:
  - Service characteristics that are important to purchasers
  - Customers see significant differences between competing alternatives on these

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3.5

Use different service levels for segmentation.

Segmenting Based on Service Levels

- Need to make decisions on service levels—level of performance firm plans to offer on each attribute
  - Easily quantified attributes are easier to understand and generalizable (e.g., vehicle speed, physical dimensions)
  - Qualitative attributes are ambiguous and subject to individual interpretation (e.g., physical comfort, noise levels)

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3.6

Target service customers using the four focus strategies for competitive advantage

Considerations for Using the Focus Strategies

- Fully focused:
  - Limited range of services to narrow and specific market
- Opportunities:
  - Developing recognized expertise in a well-defined niche may provide protection against would-be competitors
  - Allows firms to charge premium prices

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Considerations for Using the Focus Strategies

- Risks:
  - Market may be too small to generate needed volume of business
  - Demand for a service may be displaced by generic competition from alternative products
  - Purchasers in chosen segment may be susceptible to economic downturn
- Market focused:
  - Narrow market segment with wide range of services
  - Need to make sure firms have operational capability to do an deliver each of the different services selected
  - Need to understand customer purchasing practices and preferences

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Considerations for Using the Focus Strategies

- Service focused:
  - Narrow range of services to fairly broad market
  - As new segments are added, firm needs to develop knowledge and skills in serving each segment
- Unfocused:
  - Broad markets with wide range of services
  - Many service providers fall into this category
  - Danger of becoming a "jack of all trades and master of none"

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3.7

Position a service to distinguish it from its competitors.

Distinguishing a service from its competitors

Four Principles of Positioning Strategy

- Must establish position for firm or product in minds of target customers
- Position should provide one simple, consistent message
- Position must set firm/product apart from competitors
- A company cannot be all things to all people; it must focus its efforts

Jack Trout

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Distinguishing a service from its competitors

Six Questions for Effective Positioning Strategy

- What does our firm currently stand for in the minds of current and potential customers?
- What types of customers do we serve now, and which ones w in future?

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Distinguishing a service from its competitors

Six Questions for Effective Positioning Strategy

- What is value proposition for each of our current service products, and what market segments is each one targeted at?
- How does each of our service products differ from competitors'?
- How well do customers in chosen target segments perceive our service products as meeting their needs?
- What changes must we make to our offerings to strengthen our competitive position?
- *Avoid the trap of investing too heavily in points of differences that are easily copied.*

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3.8

Understand how to use positioning maps to analyze and develop competitive strategy.

Using positioning maps

- Great tool to visualize competitive positioning and map developments of time
- Useful way to represent consumer perceptions of alternative products graphically
- Typically confined to two attributes, but 3-D models can be used to portray positions on three attributes simultaneously
- Also known as perceptual maps
- Information about a product can be

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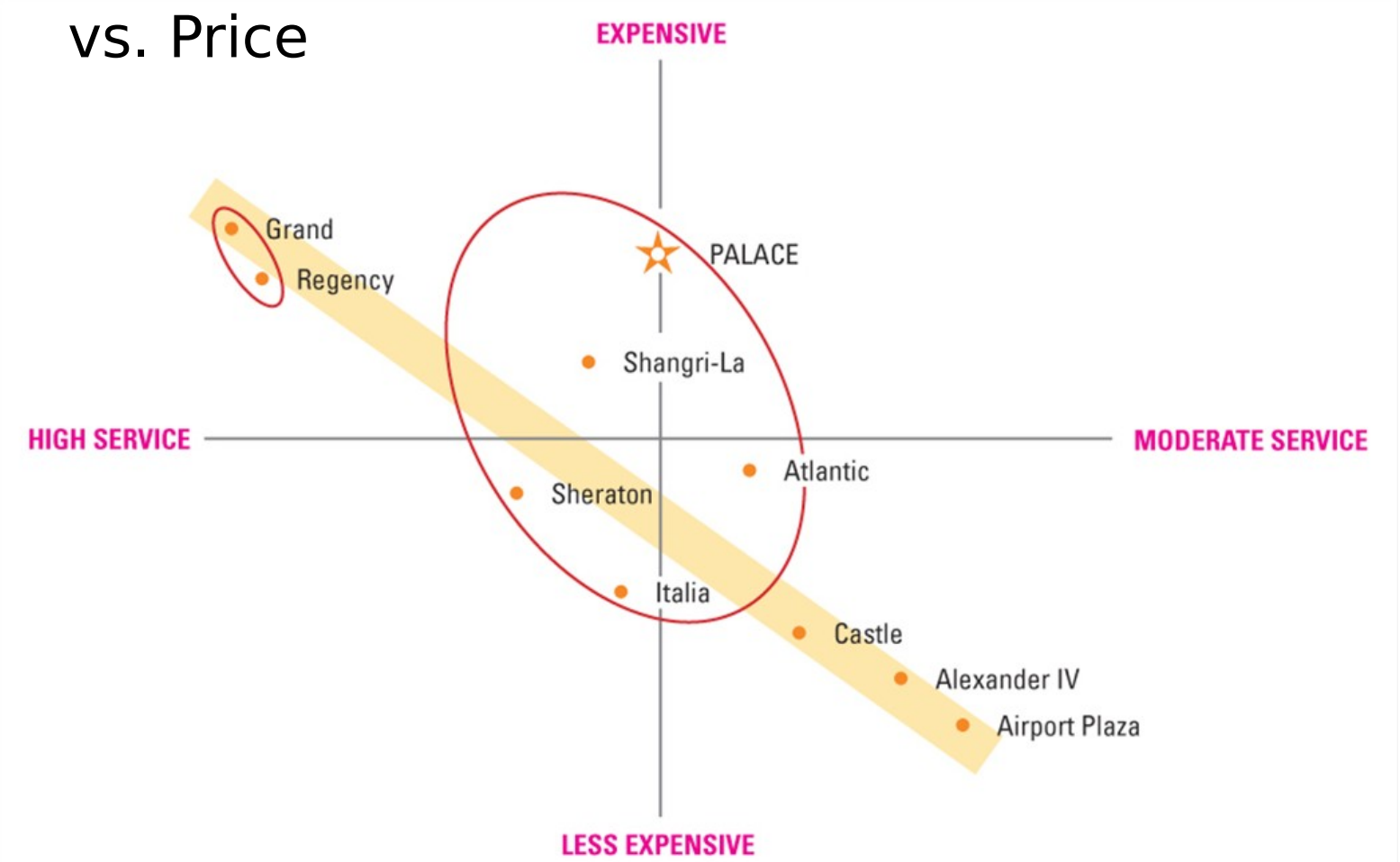
Using positioning maps

- Positioning of Belleville Hotels: Service Level vs. Price



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Using positioning maps

- Positioning of Belleville Hotels: Location vs. Physical Luxury

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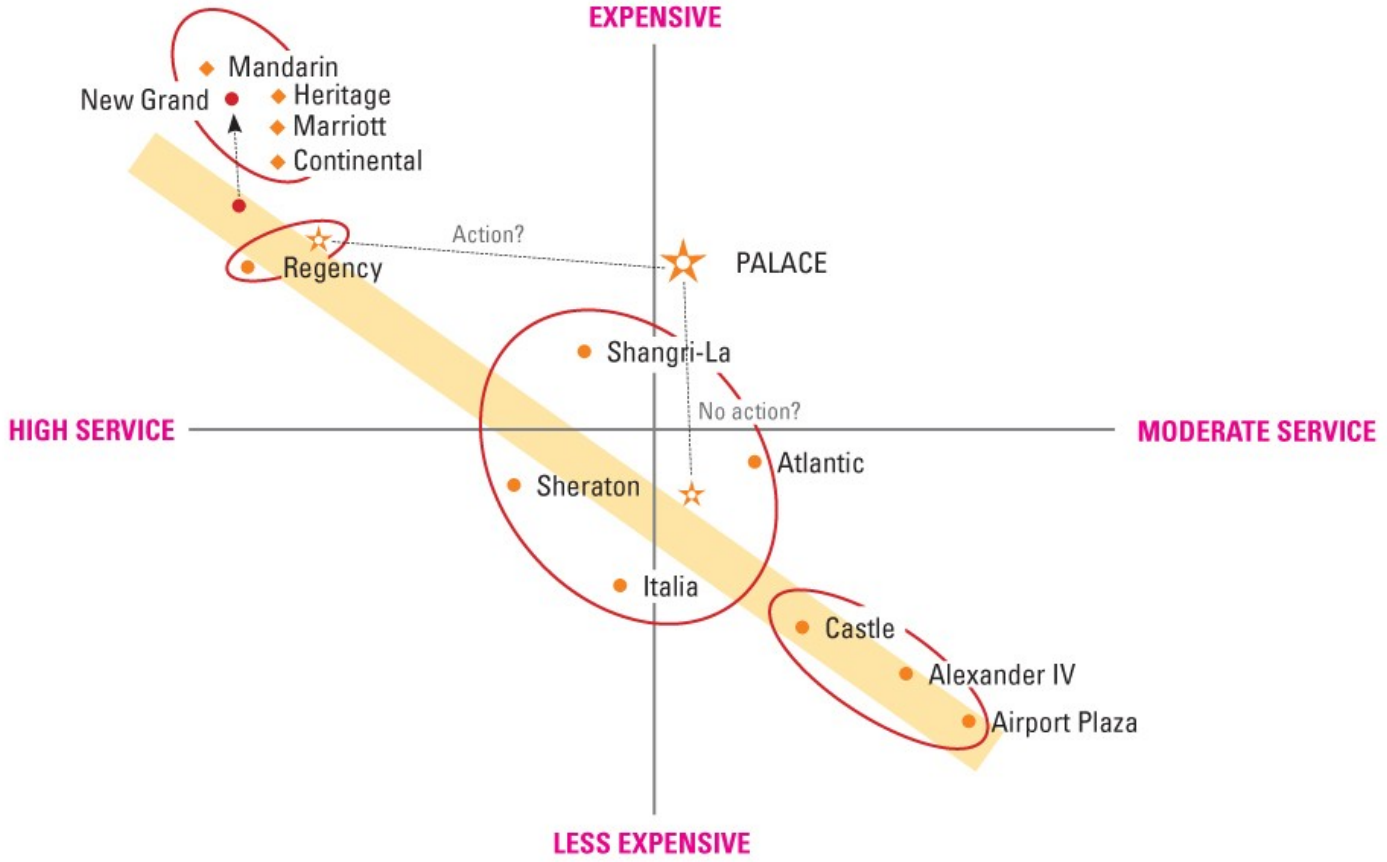
Using positioning maps

- Future Positioning of Belleville Hotels: Service Level vs. Price



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Using positioning maps

- Future Positioning of Belleville Hotels: Location vs. Physical Luxury

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Using positioning maps

Positioning Maps Help Managers to Visualize Strategy

- Positioning maps display relative performance of competing firms on key attributes
- Research provides inputs to development of positioning maps—challenge is to ensure that
  - Attributes employed in maps are important to target segments
  - Performance of individual firms on each attribute accurately reflects perceptions of customers in target segments

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Using positioning maps

Positioning Maps Help Managers to Visualize Strategy

- Predictions can be made of how positions may change in light of future developments
- Simple graphic representations are often easier for managers to g… than tables of data or paragraphs of p…
- Charts and maps can facilitate “visual awaken… opportunities, suggest alternative strategic directions

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Positioning Services in Competitive Markets

3.9

Develop an effective positioning strategy.

Developing an Effective Positioning Strategy

- Segmentation, targeting and positioning integrates with customer, competitor and company analyses to give us a positioning statement
- Target audience:
  - Specific group(s) of people that the brand wants to sell to and serve
- Frame of reference:
  - Category the brand is competing in

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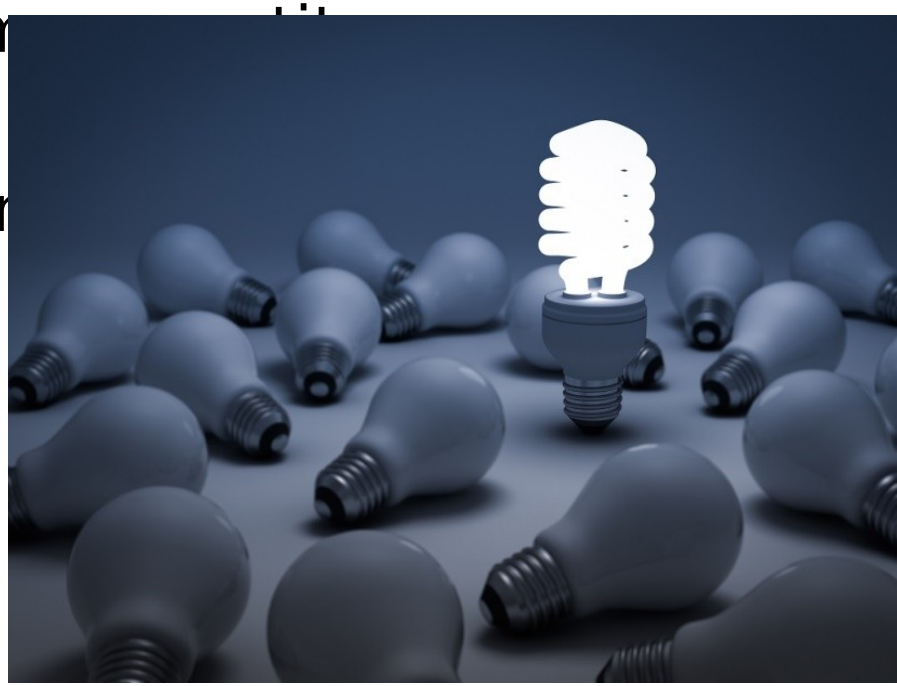
Developing an Effective Positioning Strategy

- Point of difference
  - Most compelling benefit offered by brand that stands out from
- Reason to believe
  - Proof that brand can deliver the benefits that are promised



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